

AR60

Winspear Business Reference Room
University of Alberta
1-18 Business Building
Edmonton, Alberta T6G 2R8



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A n n u a l

R e p o r t

URBCO
INC.

URBCO INC. PROFILE

UrbcO Inc. is engaged in the acquisition, development, brokerage and management of real estate properties. The geographical focus is Western and Northern Canada. The company intends to expand its current income producing portfolio; acquire and develop properties for resale; and, enter into opportunities and joint ventures whereby the Company contributes its expertise.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held in the
Bonavista Room, Westin Hotel
320 - 4th Avenue S.W.
Calgary, Alberta

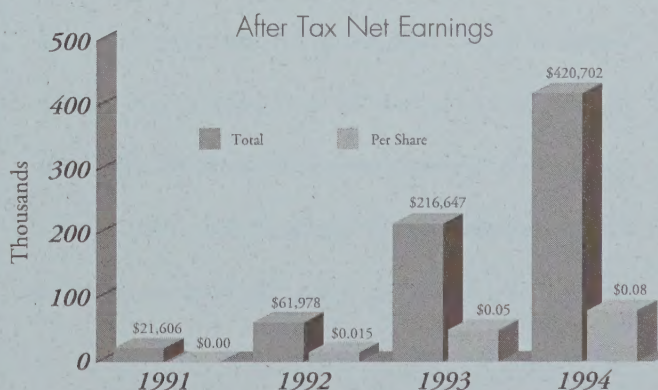
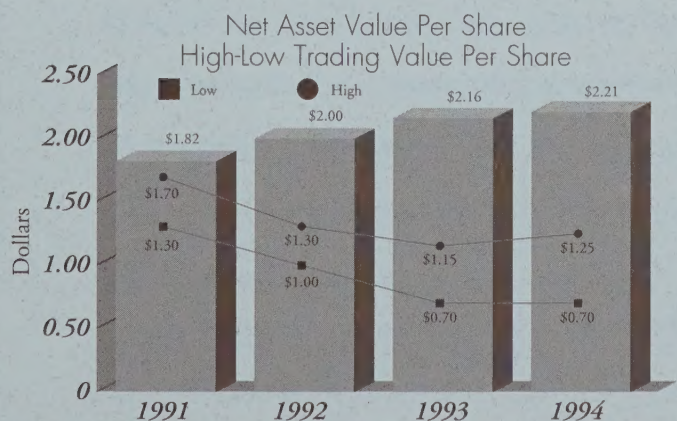
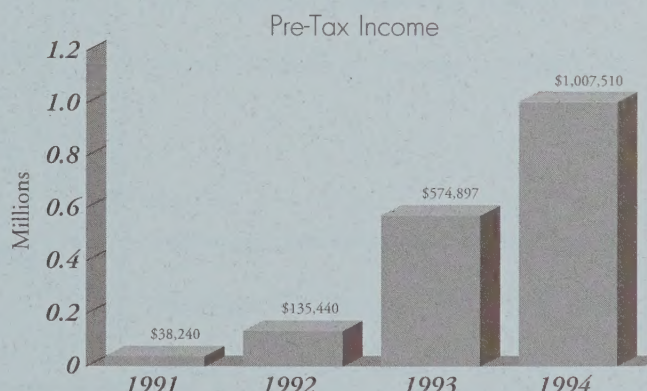
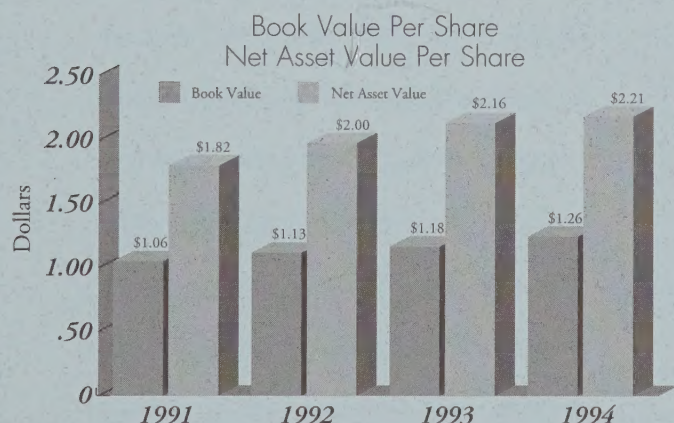
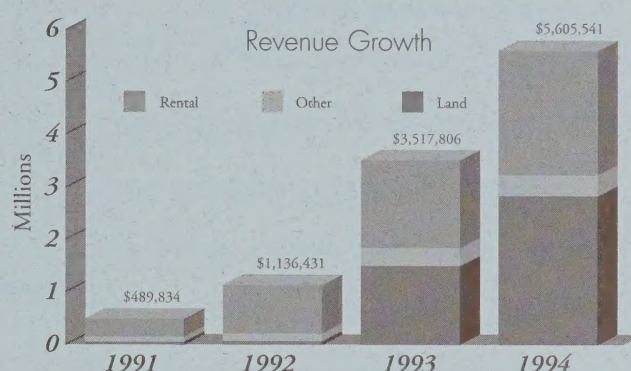
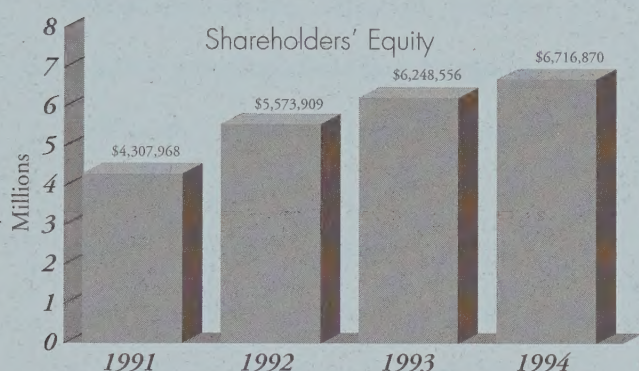
Thursday, December 8, 1994
3:00 p.m. (Calgary time)

HEAD OFFICE

110, 6131 - 6th Street S.E.
Calgary, Alberta T2H 1L9
Phone: (403) 531-0720
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URBCO Inc. Financial Highlights

For the Year Ended July 31		1994	1993	Annual % Change
Total revenues	\$	5,605,541	\$ 3,517,806	59.3%
Pre-tax income	\$	1,007,510	\$ 574,897	75.3%
Net earnings	\$	420,702	\$ 216,647	94.2%
Cash and cash equivalents	\$	1,230,211	\$ 563,545	118.3%
Shareholders' equity	\$	6,716,870	\$ 6,248,556	7.5%
Total assets	\$	18,759,892	\$ 19,117,456	-1.9%
Per common share				
Total revenues	\$	1.05	\$.75	
Pre-tax income	\$.19	\$.12	
Net earnings	\$.08	\$.05	
Cash and cash equivalents	\$.23	\$.12	
Long-term debt to equity ratio		1.32:1	1.57:1	



Report to Shareholders

Since becoming a public company in May, 1991, Urbco Inc. has generated four consecutive years of increasing revenue and profits. This year revenue increased to \$5,605,541 at July 31, 1994 from \$3,517,806 in 1993. This represents an increase of 59%. Pre-tax income grew to \$1,007,510 in 1994 from \$574,897 in 1993 for an increase of 75%. These record results were achieved while also improving our Company's conservative debt to equity ratio.

Every rental property and current development project Urbco Inc. owns contributed to net earnings. Management's success in identifying real estate opportunities, in markets that are benefiting from emerging economic trends, as well as markets that may have been overlooked, are two key components in this year's financial success.

This past year our residential rental properties in Yellowknife, N.W.T. enjoyed 99% occupancy. Rents for our 45-suite apartment building averaged \$1207 per month while our 40-unit townhouse project averaged \$1310 per month. During the year, Wal-Mart became the lead tenant in our 58,000 sq.ft. property that was previously leased to Woolco. Wal-Mart immediately added a pharmacy and a MacDonald's outlet to their operations. Since Wal-Mart has assumed operations at the store, sales have increased 20%.

Yellowknife has traditionally been sheltered from periods of economic recession as it is the centre for three levels of government. It is the centre for mining and tourism in the north. It is the service centre for much of the N.W.T. Now it benefits from diamond mine exploration. In light of the economic strength in Yellowknife, the Company has optioned a parcel of land upon which we plan to build a

46-unit townhouse condominium project targeted to the first-time buyer market. Pre-sales will begin this winter with construction to start in the spring.

Our land development division had an excellent year. The Company sold fifty-four lots in our Sheep River Ridge subdivision in Okotoks, Alberta. This project is targeted to the entry-level purchaser with future phases planned to capture both the first-time buyer and the move-up markets. We sold all nine remaining lots at our Canyon Meadows Estates area development in Calgary. Presently we are servicing another sixteen lots in Canyon

Meadows Estates. We continue to search for other select type development opportunities in the Calgary area as we view Calgary to be a long-term growth market and the main beneficiary of "the Alberta Advantage".

One of the reasons our Company has been able to maintain a low debt to equity ratio and sustain year to year

*"Four
consecutive years
of increased
profits"*

earnings growth is our success in acquiring real estate assets for treasury stock of Urbco Inc. Since our inception, the Company has completed seven separate "asset for share" deals; acquired properties with a historical cost base of \$12,100,000; and, issued \$5,100,000 worth of common shares as partial payment for these assets. This strategy helps the Company grow without over use of debt.

The trading range of our share price this past year was too low to justify issuing shares at those levels, thus we chose not to complete any such transactions. We calculate our net asset value per share in excess of \$2.20 per share and after tax break-up value in the range of \$1.60 to \$1.70 per share while the trading range for the year was \$0.70 to \$1.25 per share. In an effort to enhance the underlying value of our shares, the Company applied to The Alberta Stock Exchange to implement a normal course issuer bid whereby the Company would acquire up to 100,000 common shares of the Company for cancellation.

In an era when public real estate companies are "out of favour" with the investment community, we believe our focus on sustainable earnings growth; our commitment to growth without extensive use of debt; and our very selective acquisition and development strategies will benefit our Company and shareholders in the future.

Congratulations to our enthusiastic employees for the achievements in the past year and thank you to our shareholders for their support over the past four years.

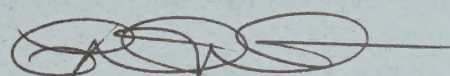
On behalf of the Board of Directors.

"Net

asset value

of \$2.21

per share."



C. Donald Wilson

President and Chief Executive Officer

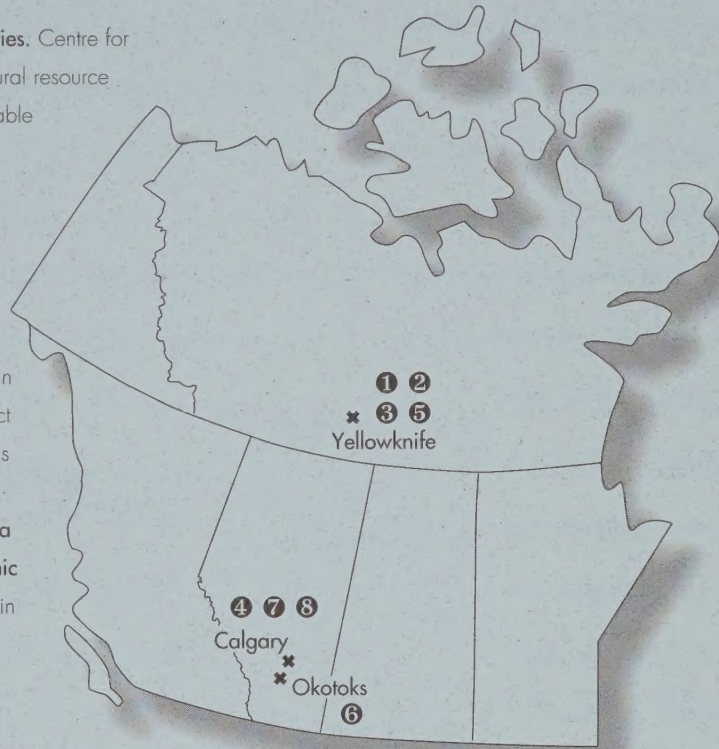
Our Markets

Yellowknife

Gateway to the Northwest Territories. Centre for government, transportation, and natural resource exploration. Continues to enjoy a stable economy generally immune to recessionary fluctuations.

Calgary

In addition to being the business centre for oil and gas development in Canada, Calgary continues to attract new, leading edge industries such as telecommunications and computer software technology. This provides a **diverse and ever improving economic base**, for development experienced in few other large Canadian cities.



Okotoks

Of the four satellite communities surrounding Calgary, we share the view that Okotoks provides **the best alternative lifestyle location** to families seeking the small town atmosphere. Spectacular views, a congenial lifestyle, and ease of access to Calgary make this an attractive market for land development.

Our Properties

Residential Rental Properties

- ① 40-Unit Townhouse Project
- ② 45-Unit Apartment Building
- ③ 4 Single-Family Detached Homes

Occupancy Level

- 99%
- 99%
- 100%

Commercial Rental Properties

- ④ 33,000 sq.ft. office building - multi tenant
- ⑤ 58,000 sq.ft. retail building - Wal-Mart

Occupancy Level

- 100%
- 100%

Residential Land Development	Project	Lot Potential	Sold in 1994	Total Sold	Years Supply of Land
⑥	Sheep River Ridge Phase 1	47	7	37	1 year
	Sheep River Ridge Phase 2	84	47	47	2 years
	Sheep River Ridge Phase 3*	80	-	-	2 years
	Sheep River Ridge Undeveloped	190+	-	-	5 years
⑦	Canyon Meadows Estates 3 acres	11	9	11	100% sold
⑧	Canyon Meadows Estates 3.5 acres*	16	-	-	2 years

* development commenced in spring 1994 - lots available early fall 1994

Management Report and Analysis

Overview

Urbco Inc., listed on The Alberta Stock Exchange in 1991, was established with the intent of becoming a leading real estate company in Western Canada through well-managed, sustained growth. Each year our Company continues to grow and move towards this objective, as can be seen in the financial results for 1994 — a 59% growth in revenues and 94% increase in net income after taxes. During the past year our rental properties contributed 42% of gross revenue and land development contributed 50% of gross revenue.

Review of Real Estate Operations

At the end of 1994, Urbco Inc. continued to be involved in three main areas of the real estate market:

1. Residential and commercial rental properties
2. Residential land development
3. Special development situations

Commercial and Residential Properties

Our commercial and residential properties continue to provide Urbco Inc. with a stable source of revenue — the properties maintained an average 99% occupancy throughout 1994 and all properties were 100% leased at July 31, 1994. Revenues from rental operations increased 41.7% in 1994, due in large part to the acquisition of the 58,000 sq.ft. Woolco store at the end of the 1993 fiscal year. This property has now been converted to a highly successful Wal-Mart store, and Wal-Mart has undertaken to continue with the existing lease until its expiry in 2011. This property

generates annual gross income of \$743,000, net income of \$125,000 and net cashflow of \$78,000, and continues to be one of the premier properties in our portfolio.

Urbco Inc. also continues to enjoy unprecedented occupancy rates in its Calgary commercial property — a 33,000 sq.ft. suburban office building. Despite average vacancy rates in Calgary suburban office buildings of 17%, our building is currently 100% leased. It has always been our mandate to provide exceptional property management to our tenants, and results can be seen from the occupancy rates we have achieved in an improving but still oversupplied market.

"All Urbco

projects

contribute to

profits"

At the start of the year, residential rental properties located in Yellowknife, N.W.T. consisted of two components — eighty-five townhome/apartments units and eleven single-family homes for rent. In order to create property management efficiencies, it was decided to sell the single-family houses. During 1994, agreements for sale were signed for all eleven houses, with seven of the sales closing in 1994 and four sales closing in the first quarter of 1995. The 1994 sales generated net income of \$242,647, but more significantly provided net cashflow of \$392,000 for future expansion.

Land Development

Though our commercial and residential properties continued to perform very well in the current markets, the exciting area of growth for 1994 was our land development division. Revenue from lot sales increased by

89% over 1993 and now represents 50% of overall corporate revenues — a level at which we anticipate the revenue distribution between rental properties and land development to stabilize. The increase in revenue resulted from the sale of fifty-four lots in our Sheep River Ridge subdivision and the remaining nine estate lots in our Canyon Meadows Estates Phase 1 project.

Early in the 1994 fiscal year, we commenced development of Sheep River Ridge Phase 2 which provided an additional eighty-four lots to the Okotoks market - 50% of which sold within the first six months of availability. This summer we began the servicing of eighty lots in Sheep River Ridge Phase 3 to ensure supply for anticipated market demand in 1995.

Traditionally, the sale of estate lots is slower than sales experienced in the much larger starter-home and first-time moveup markets, however we had the pleasure of selling all of our existing inventory of estate lots in Canyon Meadows Estates within eight short months. Given the success of this development, Urbco Inc. acquired an additional 3.5 acres in this highly sought-after subdivision, providing an additional sixteen estate lots for the 1995 and 1996 markets.

Capital Structure and Liquidity

The share capital of our Company changed very little during 1994, only 43,283 new shares were issued. Total share capital increased to \$5,950,236 and total shares outstanding increased to 5,335,336. Retained earnings more than doubled (127.6 %) in 1994, from \$329,549 to \$750,251, resulting in a 7.5% increase in

shareholders' equity (from \$6,248,556 at July 31, 1993 to \$6,716,870 at July 31, 1994).

We succeeded in reducing our short-term and long-term debt in 1994. We achieved this through negotiating the best terms available when obtaining debt financing, by raising additional capital through the issuance of shares and by internally generated cashflow. Our long-term debt to equity ratio at July 31, 1994 was 1.32:1 as compared to 1.57:1 in 1993, and our year end capital structure is as follows:

"Commercial

Short-term debt	0.3%
Long-term mortgages	54.7%
Deferred taxes	3.3%
Shareholders' equity	41.7%

and

residential

fully leased"

We have, through the timing of new development, managed to keep our debt requirements to a minimum throughout 1993 and 1994. Financing is arranged for each development prior to the commencement of the project. Our Company has an approved financing facility for the Sheep River Ridge and Canyon Meadows Estates projects totalling \$2,875,000. These facilities bear interest at an average rate of prime plus 1.5% per annum. At July 31, 1994, outstanding debt against land development totalled \$43,571, which was retired in full in the first quarter of 1995. We have \$1,412,950 in agreements receivable maturing in 1995 which will enhance our ability to develop new projects.

The majority of the mortgage debt against rental properties resulted from the mortgages against the Wal-Mart store, the Calgary office building and the forty-five suite apartment in Yellowknife. Annual debt service for all properties totals \$1,115,280 while 1994 cashflow

from operations (before debt-service) totalled \$1,548,209.

General and Administrative Costs

Administration costs are a primary concern to our management. While revenues increased by \$2,087,735, administration costs increased by only \$70,520, declining to 6.7% of total revenue from 9% in 1993.

Net Asset Value

The Company obtains appraisals on most major assets to establish a net asset value per share and track the Company's progress. Net asset value is determined by adjusting shareholders' equity (historical cost) to reflect the unrealized gain from appreciation in the current market value of our assets. At July 31, 1993 we determined our pre-tax net asset value per share to be \$2.16 based upon 5,300,338 shares outstanding. At July 31, 1994 based upon the current number of shares outstanding of 5,335,336, our pre-tax net value per shares is estimated to be:

Shareholders' equity	\$ 6,716,870	\$1.26
Unrealized gain on properties	<u>5,085,755</u>	<u>\$.95</u>
Net asset value	<u>\$11,802,625</u>	<u>\$2.21</u>

Outlook for 1995

Urbco Inc. expects to continue to grow and prosper in 1995 because of the markets we have selected to operate and develop in. We expect the rental properties to continue to provide a stable source of income and cashflow, and our land development projects have been chosen to address changing market demands, such as a growing interest in satellite communities. These communities have become more appealing to home

buyers, as they provide a safer family lifestyle and ease of access to local amenities. We anticipate that Okotoks will continue to grow and along with it our Sheep River Ridge subdivision. Sales for 1995 are expected to hold steady at between fifty-five and sixty lots which will be met through our current inventory in Phase 2 and 3.

The Calgary market, in general, is expected to experience some fluctuations during 1995, but we believe

our project should be insulated to some degree.

The Canyon Meadows Estates subdivision is a highly desirable area of Calgary immediately adjacent to Fish Creek Park. We believe that the second phase of Canyon Meadows Estates will perform steadily throughout 1995 and 1996.

Management is positive about the future of our Company. The current projects we have undertaken, the properties we own, and the new ventures and opportunities we are expecting to undertake in the forthcoming year are exciting. We believe Urbco Inc. will show continued growth and prosperity throughout 1995.

"Urbco

predicts

continued

growth"

Auditors' Report

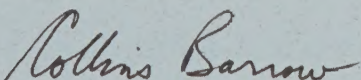
To the Shareholders
Urbco Inc.

We have audited the consolidated balance sheets of Urbco Inc. as at July 31, 1994 and 1993 and the consolidated statements of income and retained earnings and cash flow for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at July 31, 1994 and 1993 and the results of its operations and cash flow for the years then ended in accordance with generally accepted accounting principles.

COLLINS BARROW



CHARTERED ACCOUNTANTS

Calgary, Alberta
September 9, 1994

URBCO INC.

(Incorporated under the laws of Alberta)

Consolidated Balance Sheets

July 31, 1994 and 1993

	1994	1993
Assets		
Cash and term deposits	\$ 1,230,211	\$ 563,545
Accounts receivable	1,501,555	745,264
Prepaid expenses	85,210	104,434
Land held for development and sale	3,160,846	3,950,482
Deferred charge (note 2)	13,513	54,054
Investments (note 3)	440,714	536,955
Properties (note 4)	12,327,843	13,162,722
	\$ 18,759,892	\$ 19,117,456

Liabilities

Accounts payable and accrued liabilities	408,631	335,671
Bank indebtedness (note 5)	\$ 43,571	\$ 223,041
Income taxes payable	237,136	124,825
Agreement payable	-	2,800
Land development service costs	1,996,804	2,261,763
Mortgages (note 6)	8,817,163	9,593,432
Deferred income taxes	539,717	327,368
	12,043,022	12,868,900

Shareholders' Equity

Share capital (note 7)	5,950,236	5,906,108
Contributed surplus [note 7(c)]	16,383	12,899
Retained earnings	750,251	329,549
	6,716,870	6,248,556
	\$ 18,759,892	\$ 19,117,456

Approved on behalf of the Board,



, Director



, Director

URBCO INC.**Consolidated Statements of Income and Retained Earnings**
Years Ended July 31, 1994 and 1993

	1994	1993
Revenue		
Lot sales	\$ 2,833,500	\$ 1,500,441
Rental properties	2,371,188	1,673,254
Gain on disposal of properties	242,647	209,718
Interest and other	117,106	95,181
Share of income from limited partnership	41,100	39,212
	5,605,541	3,517,806
Expenses		
Cost of lot sales	2,090,684	1,138,850
General and administrative		
— land development	238,908	175,664
— corporate overhead	375,508	304,988
Rental properties operating	656,662	658,749
Interest on mortgages	1,016,922	500,153
Professional fees	51,345	45,338
Depreciation and amortization	168,002	119,167
	4,598,031	2,942,909
Income before income taxes	1,007,510	574,897
Income taxes (note 9)	586,808	358,250
Net income	420,702	216,647
Retained earnings, beginning of year	329,549	112,902
Retained earnings, end of year	\$ 750,251	\$ 329,549

URBCO INC.
Consolidated Statements of Cash Flow
Years Ended July 31, 1994 and 1993

	1994	1993
Operating activities		
Net income	\$ 420,702	\$ 216,647
Add (deduct) items not affecting cash		
Gain on disposal of properties	(242,647)	(209,718)
Depreciation and amortization	168,002	119,167
Deferred income taxes	212,349	239,604
	558,406	365,700
Increase in accounts receivable	(756,291)	(576,421)
Decrease (increase) in prepaid expenses	19,224	(18,476)
Decrease (increase) in land held for development and sale	789,636	(3,008,564)
Increase in accounts payable and accrued liabilities	72,960	100,464
Increase in income taxes payable	112,311	124,825
Increase (decrease) in land development service costs	(264,959)	2,261,763
	531,287	(750,709)
Financing activities		
Proceeds from bank loan, net	43,571	—
Increase (decrease) in bank overdraft	(163,041)	163,041
Proceeds from (repayments of) revolving operating credit, ¹ net	(60,000)	60,000
Repayment of agreement payable	(2,800)	(4,800)
Proceeds from (repayments of) mortgages, net	(776,269)	4,527,151
Proceeds on issuance of share capital	47,612	1,218,000
	(910,927)	5,963,392
Investing activities		
Decrease (increase) in investments	96,241	(2,252)
Acquisition of properties	(49,775)	(5,952,074)
Proceeds on disposal of properties	999,840	868,276
Decrease in accounts payable and accrued liabilities relating to investing activities	—	(15,174)
	1,046,306	(5,101,224)
Cash inflow	666,666	111,459
Cash and term deposits, beginning of year	563,545	452,086
Cash and term deposits, end of year	\$ 1,230,211	\$ 563,545

URBCO INC.
Notes to Consolidated Financial Statements
July 31, 1994 and 1993

1. *Significant accounting policies*

(a) Principles of consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries.

(b) Land held for development and sale

Land held for development and sale is valued at the lower of cost and net realizable value.

(c) Investments

The company accounts for its investment in the limited partnership using the equity method, whereby the investment is initially recorded at cost and the carrying value is adjusted thereafter to reflect the company's proportionate share of earnings.

The company records other investments using the cost method of accounting whereby the investment is initially recorded at cost; earnings from such investments are recognized only to the extent received or receivable.

Where there has been a permanent decline in value, the investment will be stated at estimated net realizable value.

(d) Depreciation

Depreciation of rental buildings is determined on the sinking fund method over the buildings' estimated remaining useful lives ranging from 38 to 69 years. The sinking fund method provides a depreciation charge consisting of a fixed annual sum together with interest thereon compounded at a rate of 5% per annum, which is sufficient to fully depreciate the buildings over their anticipated useful lives.

Depreciation of office furniture and fixtures is determined on the declining balance method at a rate of 20% per annum.

(e) Income recognition

Lot sales are recorded on closing or when a minimum of 15% of the sales price has been received and the sale is unconditional.

URBCO INC.

Notes to Consolidated Financial Statements *July 31, 1994 and 1993*

(f) Capitalization of costs

The company capitalizes all direct costs relating to land held for development and sale. In addition, up to July 31, 1993, indirect costs such as financing and property taxes considered applicable were capitalized. Indirect costs capitalized in 1993 were \$24,691, including \$3,973 in interest. Effective August 1, 1993, the company commenced expensing indirect costs such as financing and property taxes, as incurred.

(g) Income taxes

On August 1, 1988, the company acquired certain property from its shareholders using the provision of subsection 85(1) of the Income Tax Act. As a result, certain income producing rental properties having a net book value of \$1,359,328 (1993 - \$1,866,050) for accounting purposes have a nil cost for income tax purposes.

The equity in limited partnership exceeds its cost for income tax purposes by \$295,238 (1993 - \$298,343).

No provision has been made in these financial statements for the additional income taxes which would be generated on the future sale of these properties.

2. *Deferred charge*

Deferred charge consists of an amount paid on July 31, 1991 to cancel a lease that originally was to expire in November, 1994. The property was leased to the Government of the Northwest Territories at an amount which was substantially below market value.

The amount is amortized on a straightline basis over the remaining term of the cancelled lease.

3. *Investments*

	1994	1993
Equity in limited partnership	\$ 340,290	\$ 336,955
Investment in marketable securities (market value - \$78,435)	100,424	—
Investment in 11% participating debenture	—	200,000
	<u>\$ 440,714</u>	<u>\$ 536,955</u>

The investment in limited partnership consists of seven of thirty units in the Vista Village Limited Partnership.

URBCO INC.

Notes to Consolidated Financial Statements July 31, 1994 and 1993

4. Properties

	Net Book Value			
	Cost	Accumulated Depreciation	1994	1993
Rental properties				
Land	\$ 1,578,264	\$ —	\$ 1,578,264	\$ 1,810,342
Buildings and fixtures	11,275,164	544,830	10,730,334	11,337,069
	12,853,428	544,830	12,308,598	13,147,411
Office Furniture and fixtures	36,319	17,074	19,245	15,311
	\$ 12,889,747	\$ 561,904	\$ 12,327,843	\$ 13,162,722

5. Bank indebtedness

	1994	1993
Bank loan	\$ 43,571	\$ —
Bank overdraft	—	163,041
Revolving operating credit	—	60,000
	\$ 43,571	\$ 223,041

Bank loan consists of a capital financing demand loan bearing interest at a Canadian chartered bank's prime lending rate plus 1.5% per annum, principal repayments due periodically from sale of lots.

The company has a revolving operating credit which is due on demand and bears interest at a Canadian chartered bank's prime lending rate plus 1.0% per annum.

The bank loan and revolving operating credit are secured by a first fixed charge in the amount of \$1,500,000 over land held for development and sale.

6. Mortgages

Mortgages bear interest at a weighted average interest rate of 11.44% per annum (1993 - 11.29%), are repayable in blended monthly instalments aggregating \$92,940 (1993 - \$98,654), are secured by rental properties and are due April 1, 1996 through December 1, 2011.

URBCO INC.
Notes to Consolidated Financial Statements
July 31, 1994 and 1993

Anticipated repayments on the mortgages over the next five years, assuming that they are renewed at existing rates, are as follows:

1995	\$	137,508
1996		153,716
1997		172,046
1998		192,575
1999		215,559
Thereafter		<u>7,945,759</u>
	\$	<u>8,817,163</u>

7. Share capital

- (a) Authorized
 Unlimited number of common voting shares
 Unlimited number of non-voting, cumulative, preferred shares

- (b) Issued

	1994		1993	
<u>Common Shares</u>	Number of Shares	Stated Capital	Number of Shares	Stated Capital
Stated capital, beginning of year	5,300,338.8	\$ 5,910,908	4,418,083.9	\$ 4,701,192
Issued during the year				
On exercise of stock options	43,283.5	47,612	—	—
For land held for development and sale	—	—	524,138	760,000
For rental properties	—	—	360,000	450,000
For compensation of officers	—	—	6,400	8,000
Less:				
Shares cancelled [note 7(c)]	(8,286.3)	(8,284)	(8,283.1)	(8,284)
Total issued	5,335,336	5,950,236	5,300,338.8	5,910,908
Treasury shares [note 7(c)], at cost	—	—	(8,286.3)	(4,800)
	<u>5,335,336</u>	<u>\$ 5,950,236</u>	<u>5,292,052.5</u>	<u>\$ 5,906,108</u>

URBCO INC.

Notes to Consolidated Financial Statements July 31, 1994 and 1993

(c) During 1989, the company entered into an agreement to repurchase 41,419.5 Class A shares for \$24,000. The shares repurchased are reflected at reacquisition cost until such time as they are cancelled or reissued. During the year ended July 31, 1994, the company cancelled 8,286.3 of the repurchased shares having a stated value of \$8,284. The excess of stated value over cost of reacquisition of \$3,484 was credited to contributed surplus.

(d) As at July 31, 1994, the following options to purchase common shares were outstanding:

Number	Exercise Price Per Share	Expiry Date
20,000	\$ 1.00	December 31, 1994
20,000	\$ 1.10	December 31, 1994
16,000	\$ 1.25	December 31, 1994
20,000	\$ 1.10	December 31, 1995
280,000	\$ 1.05	April 28, 1999

On April 18, 1994, 280,000 options were granted to certain officers, directors and employees of the company to purchase 280,000 common shares at \$1.05 per share until expiry April 28, 1999.

(e) As at July 31, 1994, 709,425 common shares having a stated value of \$956,666 remain in escrow to be released as follows:

	Number	Date
i)	72,000	July 30, 1994
	72,000	July 30, 1995
	72,000	July 30, 1996
	72,000	July 30, 1997
	72,000	July 30, 1998
ii)	Minimum 34,000	December 31, 1994 and then, based on a performance formula, on a quarterly basis during the period December 31, 1993 to December 31, 1995, to a maximum of 174,713 per year
	Balance of shares not previously released.	December 31, 1995

The 72,000 shares scheduled to be released from escrow on July 30, 1994 were released from escrow on September 8, 1994.

URBCO INC.

Notes to Consolidated Financial Statements July 31, 1994 and 1993

8. *Management remuneration*

Management remuneration for the year ended July 31, 1994 amounted to \$257,243 (1993 - \$196,000).

9. *Income taxes*

Income taxes differ from that which would be expected when applying the combined federal and provincial rates of 45% (1993 - 44%) to income before income taxes as follows:

	1994	1993
Expected income tax expense	\$ 453,380	\$ 252,955
Increase (decrease) in income taxes resulting from:		
Depreciation on non-tax based assets	14,052	6,957
Rate reduction applicable to taxable capital gains	(32,059)	(26,498)
Gain on disposal of non-tax based assets	153,712	127,248
Other	(2,277)	(2,412)
Actual income tax expense	\$ 586,808	\$ 358,250

10. *Earnings per share*

Earnings per share for the year were \$0.08 (1993 - \$0.05). The weighted average number of shares outstanding during the year was 5,323,236 (1993 - 4,669,306). The exercise of stock options would not be materially dilutive.

Corporate Information

Corporate Profile

Urbco Inc. is engaged in the acquisition, development, brokerage, management of real estate properties and real estate related opportunities.

Directors

C. Donald Wilson	Director	President and Chief Executive Officer, Urbco Inc.
Roy G. Wilson	Director	Chairman of the Board, Urbco Inc.
Kathleen E. McCaughey	Director	Secretary, Urbco Inc.
Arthur C. Cloutier	Director	President, Artco Developments
Robert V. Etcheverry *	Director	General Manager, Production and Engineering/CN Exploration Inc.
William J. Miller	Director	President, Wagonmaster Distributors Inc.
Douglas H. Mitchell, Q.C. *	Director	Partner, Howard Mackie, Barristers and Solicitors
Eric Proppe	Director	President, Proppe Architect Ltd.
Fred P. Studer *	Director	President, Studer Foods (Alberta) Ltd.

* Member, Audit Committee

Officers

C. Donald Wilson	President and Chief Executive Officer
Roy G. Wilson	Chairman of the Board
Gregory N. Herndier	Vice-President
Barry J. Poffenroth	Vice-President
Kathleen E. McCaughey	Secretary

Corporate Office

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Registrar & Transfer Agent

Montreal Trust
Calgary, Alberta

Stock Exchange Listing

The Alberta Stock Exchange

Legal Counsel

Howard Mackie, Barristers and Solicitors
Calgary, Alberta

Auditor

Collins Barrow, Chartered Accountants
Calgary, Alberta

Trading Symbol

UBC

